

OREGON BOARD OF ACCOUNTANCY
BOARD MINUTES
August 15, 2011

Board of Accountancy

Board Room

Salem, OR

The Board of Accountancy protects the public by regulating the practice and performance of all services provided by licensed accountants.

BOARD MEMBERS:

Dr. Ray Johnson, CPA, *Chair*
Roberta Newhouse, CPA, *Vice Chair*
Jessie Bridgham, CPA, *Treasurer*
Kent Bailey, CPA
Al Crackenberg, PA
Ann Ferguson, CPA
Dr. Roger Graham, *Public Member*

BOARD STAFF:

Pat Hearn, Executive Director
Kimberly Bennett, Exec. Assistant
Noela Kitterman, Investigator
Susan Bischoff, AAG

GUESTS:

Michele Henney, OSCP Representative
Stuart Morris, PA, OAIA Representative
Sherri McPherson
Larry Brown – Phone (10:30)
MacBryde and Mr. English (8:39 a.m.)

Christopher Campbell
Chip Paternoster, Atty (8:00 a.m.)
Alison Rhodes, Atty (8:00 a.m.)
Sikora (9:00 a.m.)

1. CALL TO ORDER

Chair Johnson called the meeting to order at 8:33 a.m., and guests were welcomed.

2. APPROVAL OF MINUTES

The minutes from the May 22, 2011 work session were reviewed.

BOARD ACTION: Moved by Ms. Newhouse and carried to approve minutes as written.

VOTE: 7 ayes

The minutes from the May 23, 2011 Board meeting were reviewed.

BOARD ACTION: Moved by Ms. Ferguson and carried to approve the minutes as written.

VOTE: 7 ayes.

3. REPORT OF CHAIR

A. International Forum

Chair Johnson and Mr. Hearn attended the NASBA International Forum in Vancouver BC. The discussions included enforcement on an international scale and the need for dual audits. Both found the meeting valuable and worth the trip.

B. NASBA Regional Meeting

Chair Johnson reported that he attended the Eastern Regional meeting and the majority of the discussions focused on pushing boards towards semi-independent status. Oregon is much more independent than some of the other states.

4. REPORT OF VICE CHAIR

A. Fall Work Session and Board Meeting

The Board and the Washington State Board of Accountancy will hold a joint work session on Saturday, October 1. Jim Brackens from the AICPA will attend to discuss Peer Review Programs and other related issues.

The Oregon Board will convene its regular fall work session on Sunday, October 2. Topics will include new and revised administrative rules.

A Regular Board meeting will be held on Monday, October 3, 2011.

In addition, the administrative rules will be reviewed.

5. TREASURER'S REPORT

The Board reviewed the latest cash flow reports. Mr. Hearn reported that no Board funds were "swept" by the legislature. Chair Johnson would like to discuss a mid-biennium fee reduction at the fall work session. It was realized that, since the fees are in statute, the Board will need to address during the next legislative session. The Board requested a "wrap-up" of the 2009-11 budget be presented at the Fall work session.

6. COMPLAINTS COMMITTEE

A. July 22, 2011 Meeting Minutes

For informational purposes only.

B. Complaint Investigations

CONSENT AGENDA

1. Loveridge Hunt & Co PLLC

09-086CNK

Loveridge Hunt & Co PLLC received, from the Secretary of State's office, the results of its review of the audit report of the Housing Authority of Yamhill County. The report included fourteen items, one of which required the report to be reissued with the signature of Max E. Hunt, the firm's only licensed municipal auditor. The firm reissued the report and it was accepted by the Secretary of State.

BOARD ACTION: Moved by Ms. Newhouse and carried to find insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1), (2) and (3).

VOTE: 7 ayes

2. Moss Adams

09-088CNK

The Secretary of State Audits Division issued a letter to Moss Adams describing the results of their review of the audit report of Southern Coos Health District. The

letter identified ten items, some of which required reissuance of the auditor's report. Moss Adams reissued the audit report and was accepted by the Audits Division.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation of insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1), (2) and (3).

VOTE: 7 ayes

3. Byers, Neumayer & Bradford PC 10-039CNK
(now known as Friend & Regan PC CPAS)

The Secretary of State, Audits Division sent a letter to Byers, Neumayer & Bradford PC, nka Friend and Reagan PC CPAs, with the results of their review of the audit report for Columbia Gorge Community college. The letter described two issues that required the firm to issue an amended report. The amended report was submitted and accepted by the Audits Division.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation of insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1), (2) and (3).

VOTE: 7 ayes

4. Simpson & Company PC CPAs 10-090CNK

Simpson & Company received a letter from the Secretary of State Audits division identifying four separate findings on the audit report of Opal Charter School. Some of the items identified required reissuance of the auditor's report. The report was reissued and accepted by the Audits Division.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation of insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1), (2) and (3).

VOTE: 7 ayes

5. Susan Marks/McDonald Jacobs PC 09-087CNK

The Secretary of State Audits Division sent McDonald Jacobs PC a letter describing the results of their review of the audit report of The SEI Academy. The auditor's report was not signed by a licensed municipal auditor and other concerns were identified. The auditor's report was reissued and accepted by the Audits Division.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation of insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1) and (2).

VOTE: 7 ayes

6. Kathlyn Spratling/Jensen & Spratling LLP

10-040CNK

Jensen & Spratling received a letter from the Secretary of State Audits Division describing results of their review of the audit report of the City of Ukiah in which several issues were identified relating to the annual financial report.

The Board contracted with Larry Brown for investigation of this matter. Mr. Brown stated that the issues appear to be the result of inadequate final review and they are not technical issues. The auditor's report and financial report complied with professional standards.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation of insufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1) and (2).

VOTE: 7 ayes

7. Rick Nissen

10-043CDC

(The complaints committee reviewed the initial investigation report at the April 22, 2011 meeting. The committee requested the investigator, Don Crabtree to obtain additional information.)

Mr. Nissen provided professional services to Pankey, Eberhard, Bryant & Schmidt (PEBS), a real estate investment partnership, and Mr. and Mrs. Pankey while they were married. Mr. Pankey sold his partnership interest in two properties, one of which his estranged wife was not aware he had sold. Ms. Pankey learned of the sale of the second piece of property from Mr. Nissen. The information regarding the sale was not considered to be confidential as it had been entered into public record.

The supplemental investigation report provided clarification on the conflict of interest notification and disclosure of confidential client information. Mr. Nissen provided written notification to Ronald Bryant, a PEBS partner, of the request he received from Mrs. Pankey and requested permission to assist her. The letter also asked for guidance on how certain financial information should be managed in conjunction with the services provided to Mrs. Pankey.

BOARD ACTION: Moved by Newhouse and carried to accept the committee recommendation that there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0005(2).

VOTE: 7 ayes

8. Gwendolyn (Wolfe) Hessong

10-089CNK

Ms. Hessong provided accounting and payroll tax services to H.C. Wainwright & Co Economics, Inc. The owner of the company, Penny Russell and Gwendolyn Hessong were unable to clearly communicate expected services and Ms. Hessong

sent a letter terminating her services. Ms. Hessong's engagement letter allowed for such termination.

BOARD ACTION: Moved by Newhouse and carried to accept the committee recommendation to find there is insufficient evidence to make a preliminary finding of violation of OAR 801-030-0020(1)(a) and (b).

VOTE: 7 ayes

C. Investigations for Discussion

1. Nancy Sikora (*agenda item 6.C.3.*)

10-105CNK

Ms. Sikora participated by phone at 9:00 a.m.

Nancy Sikora was employed by Dennis Solin from 2002 through 2010. When hired, she signed an employment agreement. A new agreement was not signed when Mr. Solin changed the name of the firm in 2004. Ryan Solin, son of Dennis Solin, took over the firm after his father died.

Ms. Sikora wrote a letter to the IRS, on behalf of a client, which contained confidential client information. Ms. Sikora hired her son, a college graduate who had majored in English, to proofread the letter. Ms. Sikora's son was not an employee of the firm.

Ms. Sikora indicated that Dennis Solin had hired her son in the past to go through confidential files and, therefore, she felt he was considered 'trusted' by the firm. Ryan Solin indicated that there were two other employees capable of proofreading her letter.

BOARD ACTION: Moved by Newhouse and carried to accept the committee recommendation that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0015(1)(a)(A), Confidential Client information, prohibited disclosures.

VOTE: 7 ayes.

2. Michael MacBryde (*agenda item 6.C.1.*)

11-018CNK

Mr. MacBryde and his attorney, Stephen English were present at the meeting.

The Board received a copy of the Report of Independent Auditors for the Port of Portland that was signed by Michael MacBryde of PricewaterhouseCoopers LLP. Mr. MacBryde was not a licensed Municipal Auditor in Oregon and was not authorized to bid, contract or issue a municipal audit when he signed the report.

Mr. English stated that Mr. MacBryde had been providing audit services to the Port of Portland since last year and that, during the course of his career, he had performed audits in other states. Mr. MacBryde believed that, under mobility, he could practice under his California CPA license and did not know that Oregon had a separate municipal license requirement.

When notified of Oregon's requirement for a municipal license, he promptly applied and was approved at the July 19, 2011 CPE committee meeting.

BOARD ACTION: Moved by Ms. Newhouse and carried to accept the committee recommendation and find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-020-0620(4) and (5).

VOTE: 7 ayes.

Mr. English requested that the Board take the municipal application for Mr. MacBryde out of order in the agenda as the extension deadline for signing the report is today.

13.B. Municipal Auditor Applications

1. Approved Applications

- a. Jamie Michelle Kendellen/Approve
- b. Ann M. Rustrum/Approve
- c. Michael MacBryde/Approve
- d. Jessica H. Luther/Approve
- e. Laura J. Pulley/Approve
- f. Dennis Doyle/Approve
- g. Julia Fitzgerald/Approve
- h. Joshua David Morrow/Approve
- i. Leeann M. Ford/Approve

BOARD ACTION: Moved by Bailey and carried to approve the approved municipal auditor applications.

VOTE: 7 ayes

9. PUBLIC COMMENTS *(taken out of order)*

Alison Rhodes and Chip Paternoster attended the meeting on behalf of their client, Kenneth Gustafson. Ms. Rhodes asked the Board to accept the Administrative Law Judge's proposed order, which provided for a 60-day suspension of his CPA license. Ms. Rhodes acknowledged that the Board had a right to reject the ALJ order and increase or decrease the time of suspension, but argued that it was not necessary as the process had done its job.

6.C.4. Eric Shoenstein

11-025CNK

Mr. Shoenstein holds an inactive license in Oregon. He described himself as a "CPA", instead of an "Inactive CPA" on his company's website. Mr. Shoenstein also had CPA on his business cards. Upon notification of the error, Mr. Shoenstein took immediate remedial steps.

The Board discussed the fact that Mr. Shoenstein was active for many years prior to putting his license on inactive status. He renewed each renewal cycle and signed the certification that he would not hold out.

BOARD ACTION: Moved by Newhouse and carried to accept the committee recommendation that there is sufficient evidence to make a preliminary finding of violation of ORS 673.320(3).

VOTE: 7 ayes

7. PROPOSED CASE SETTLEMENTS

A. Douglass & Company PC

The Board requested the firm, Douglass & Company, provide a status update on their peer review in May 2010. No response was received and another letter was sent in July 2010 and no response was received. Mr. Douglass sold his review clients to another CPA and sold the rest his clients to his daughter, Ms. Harmon, who formed a new firm, Douglass-Harmon CPA LLC.

The order requires Douglass & Company PC pay a civil penalty of \$2600 and provides that the prior peer review requirement is waived as Douglass & Company PC has not provided attestation or compilation services since January 1, 2010.

BOARD ACTION: Moved by Dr. Graham and carried to accept the Stipulation and Order.

VOTE: 7 ayes.

6.C.2. Richard Donaca *(taken out of order)* 10-091CNK

Larry Brown, Contract Investigator joined by phone for this discussion. Mr. Donaca is a licensed CPA and is also licensed to perform municipal audits in the state of Oregon. The Secretary of State Audits Division provides oversight of the work product of auditors through a periodic technical review. This matter is the result of the Audit Division's technical review of the annual financial report of the Sisters Park and Recreation District (SPRD) for the year ended June 30, 2009.

Mr. Brown found significant matters with respect to the application of auditing standards generally accepted in the US.

Mr. Donaca submitted a letter after the complaints committee meeting addressing each of Mr. Brown's findings.

BOARD ACTION: Moved by Newhouse and carried to find that there is sufficient evidence to make a preliminary finding of violation of OAR 801-030-0010(1), (2) and (3).

VOTE: 7 ayes

The Board discussed possible sanctions. Given that there is a risk assessment issue, dual dating, attorney letters and management representation letters, the best course would likely be pre-issuance reviews. Chair Johnson also suggested 40 hours of additional auditing CPE.

The Board would like to review the proposed stipulation and order at the October meeting.

The Board went into Executive Session at 11:20 a.m. to consider documents not subject to public disclosure pursuant to ORS 192.660(2)(f).

The Board reconvened into open session at 1:15

The Board acknowledged Kent Bailey's service on the Board. Mr. Bailey has served for 9 years and was active in NASBA and various Board committees.

A plaque was presented to Mr. Bailey from the Board and staff.

The Board went into Closed Session at 1:20 p.m. to deliberate concerning contested cases pursuant to ORS 192.690(1).

The Board reconvened into open session at 1:34 p.m.

Case number 09-046CNK, Edd Doorn (not on agenda)

Craig Edwards, Attorney for Mr. Doorn participated by phone. Mr. Hearn presented a proposed case settlement, which he and Mr. Edwards had negotiated. Terms include Mr. Doorn paying a \$15,000 civil penalty and resignation of his CPA license.

BOARD ACTION: Moved by Ferguson and carried to accept the proposed stipulation and order for Edd Doorn.

VOTE: 7 ayes

7.B. Susan MacGlashan

Ms. MacGlashan used the CPA designation while on inactive status. A proposed Stipulation and Order was presented to the Board for their review and acceptance.

The order stipulates that Ms. MacGlashan pay a civil penalty of \$100 within 30-days of the signed order.

BOARD ACTION: Moved by Mr. Bailey and carried to accept the proposed Stipulation and Order.

Vote: 7 ayes.

7.C. Martin Henick

Mr. Henick electronically filed a tax return for one of his clients without prior authorization and a signed Form 8879-C.

A proposed Stipulation and Order was presented assessing a \$250 civil penalty.

BOARD ACTION: Moved by Ms. Ferguson and carried to accept the proposed Stipulation and Order after making some corrections to minor typographical errors.

VOTE: 7 ayes.

7.D. Jay Ternberg – Handout

The Board was presented a proposed Stipulation and Order for Mr. Jay Ternberg as a handout. Mr. Ternberg was found to be in violation of OAR 801-030-0010(1) (b) due professional care, OAR 801-030-0015(2) (b), requested records and OAR 801-030-0015(2) (b), cooperate fully with a Board investigation.

The order proposes an \$8,000 civil penalty.

BOARD ACTION: Moved by

VOTE: 7 ayes.

8. REPORT OF EXECUTIVE DIRECTOR

A. On-Line licensing project update

Mr. Hearn reported that board staff just completed review of the process flows and submitted to GL Solutions. It has been necessary to adjust workload priorities as renewals have taken the majority of staff time during the past 5 weeks.

B. NASBA Letter

A letter was sent to Mr. Hearn from NASBA President and CEO, David Costello thanking him for the outstanding job he did in co-moderating the breakout session on semi-independent Boards at the 2011 Western Regional meeting.

Ms. Ferguson thanked Mr. Hearn for representing Oregon.

C. Terry Meier – Request for Penalty Waiver

Mr. Meier was assessed a \$100 civil penalty for failure to notify the Board of a change in address. Mr. Meier sent a letter to the Board asking for a waiver of this rule as he is currently residing in Nebraska and is not aware of the rules.

The Board respectfully concurred to deny the request for a waiver.

BOARD ACTION: Moved by Mr. Crackenberg and carried to deny the request to waive the \$100 civil penalty.

VOTE: 7 ayes.

D. Appointments/Re-Appointments of Board Members

The Governor's office has not contacted the Board regarding reappointments or new appointments for Board members. Board staff was advised that Governor Kitzhaber will limit Board member service to 2 terms.

E. Revised Delegation of Authority

The Board agreed at the May 2011 meeting to amend the delegated authority for the Executive Director. A new delegation of authority was approved to allow the Executive Director to sign all subpoenas issued by the Board and to sign any stipulation and final order that does not include significant changes from what was approved by the Board.

Ms. Ferguson has requested that a summary be provided to Board members of what documents the Executive Director signed between Board meetings.

F. Christine Clemmer

At the Board meeting in May, the Board considered a memo from Heather Shepherd, Board staff regarding the reinstatement of Christine Clemmer's license. The Board requested that Noela Kitterman, Board Investigator, determine if Ms. Clemmer had violated any Oregon laws and/or rules during the period of time that her license was in lapsed status. The Board specifically asked for verification that Ms. Clemmer did not prepare any Oregon individual income tax returns while inactive/lapsed and to verify the validity of the CPE reported on her reinstatement application.

The Department of Revenue provided confirmation that Ms. Clemmer did not sign any individual tax returns while she held an inactive or lapsed license. Ms. Shepherd verified that the CPE credits reported were supported by valid certificates of completion.

Upon review of this matter, Ms. Kitterman discovered that Ms. Clemmer was originally licensed in Oregon in March 2002. Her application indicated that she was licensed in Alabama and held a "delinquent" license in California.

Ms. Kitterman contacted the Alabama Board of Accountancy and learned that Ms. Clemmer did not properly renew her Alabama license and eventually the Board revoked her license. This Board does not have a copy of Ms. Clemmer's renewal application for 2004 in her file and, therefore, cannot determine if she provided us with the fact that her license was revoked in Alabama. She had a prior case with the Oregon Board in 2005. It was found that Ms. Clemmer used the CPA designation in her email address while she was in lapsed status.

The Board would like staff to send a letter to Ms. Clemmer indicating that we have noticed a pattern of lapsed/inactive status and reinstatement.

H. Summary of Legislation

The Board needs to discuss confidential complaints process and procedures. The Board would appreciate any help the OSCPA can provide to remove fee amounts from statute.

I. Inactive Licensees Holders 2011-13

A list of individuals who renewed as inactive status during the 2011-13 renewal cycle were presented to the Board according to their reported employment status. Individuals who have chosen to put their license in inactive status.

9. REPORT OF OAIA

Mr. Morris reported that the OAIA is on solid financial ground. The OAIA has put forth a program for enrolled agents and are looking to do the same for public accountants.

8. REPORT OF THE OSCPA

Ms. Henney reminded the Board that the OSCPA will have their annual Professional Update in December, live in Portland and web cast to others. Mr. Hearn and Chair Johnson will be making a presentation.

9. OLD BUSINESS

A. Review of Complaint Notification Process

The Board discussed the procedures and process associated with complaint handling. Some process improvements were identified as follows.

- Board staff will strive to provide respondents the completed investigation report at least 14 days prior to the complaints committee meeting. If that is not possible, the respondent will have the opportunity to request the matter be held over until the following meeting.
- The Board will no longer attempt to settle a case and craft the terms and conditions during a board meeting.
- The Board currently has a policy to respond to external inquiries within one business day; however, there are instances when that is not possible. The Board will amend the policy to state that, if we are unable to respond within one day, we will give them an approximate timeframe of when to expect the response.
- Some information on the Board website is outdated. Board staff will begin a review of the content and update as necessary.

10. CONTINUING PROFESSIONAL EDUCATION

A. Minutes of July 19, 2011
Information only

B. Secretary of State Letters

The CPE committee has been reviewing copies of letters sent to firms by the Secretary of State Audits Division following their reviews of Government Audits. The Committee has then been making a recommendation as to whether or not an investigation should be initiated.

There was discussion about adding some language in the OARs to state that, if the Audits Division sends such a letter to a firm, the firm must provide the Board with copies of the relevant information when the issues are resolved.

Board staff will do an analysis on how many have been received, of those how many forwarded to complaints committee and the final outcome. This information will be presented at the October work session.

C. Rachel Lembo

Ms. Lembo was deferred from the April 26, 2011 CPE committee meeting for insufficient information. Board staff prepared letter and made a follow-up phone call notifying Ms. Lembo of the missing information. No response was received. The committee voted to defer her application until the September meeting.

Mr. Bailey explained that, if the Board defers her application until September, two of her courses will drop-off and she will still not be approved.

BOARD ACTION: Moved by Ms. Ferguson and carried to deny the application for municipal audit license for Rachel Lembo.

VOTE: 7 ayes

11. PEER REVIEW OVERSIGHT COMMITTEE

No meeting held

A. Peer Review Task Force Meeting Minutes (information only)
July 11, 2011

12. QUALIFICATONS COMMITTEE

A. Minutes of July 20, 2011
Information only

B. Consent Agenda

1. Recommendations

a. Jesse Douglas Boumann/Approve

b. Krystal Jane Peck/Approve

c. Adam Romney Starling/Approve

d. Anthony JWH Jackson/Approve

e. David Koch/Approve

2. Approval of Applications

- a. 71 CPA Certificates/Permits
- b. 0 PA Licenses/Permits
- c. 17 Firm Registrations

BOARD ACTION: Moved by Ms. Ferguson and carried to accept the consent agenda.

VOTE: 7 ayes

C. Memorandum of Understanding – Intel

An updated memo of understanding was presented to the Qualifications committee and the Board for acceptance.

BOARD ACTION: Moved by Ms. Bridgham and carried to approve the Intel Qualification program.

VOTE: 7 ayes

D. Applications for Discussion

1. Svetlana Goldgisser

The applicant gained her experience while employed at Regence for 18-1/2 months and Harland Financial Solutions for 11 months. The reviewer, Ms. Lantz of the Qualifications committee, questioned the amount of “regular and meaningful” supervision the applicant received. The supervisor licensee at Harland Solutions indicated that her work was reviewed first by a non-CPA and the supervisor licensee. The person that signed off on her work indicated they only met with her for about 5 hours a week. The supervisor licensee at Regence signed off on 18-1/2 months but only reported supervising her for 82 hours.

BOARD ACTION: Moved by Ms. Ferguson and carried to deny the application submitted by Ms. Svetlana Goldgisser.

VOTE: 7 ayes.

2. Zhiyong Wang

The file was reviewed by Mike Halbirt, Qualifications committee member. Mr. Halbirt requested work examples of the applicant and spoke to the supervisor licensee in hopes of getting verification that the applicant had met the competencies, specifically competency “E”, Risk Assessment and Verifications skills and competency “G”, Qualify of Communication Expressing Scope of Work, Findings and Conclusions.

The Board reviewed the report and supports the committee’s decision to deny.

BOARD ACTION: Moved by Ms. Ferguson and carried to deny the application for certification submitted by Zhiyong Wang.

VOTE: 7 ayes

13. CPA EXAM

A. CBT Statistics – Information Only

17. CODE OF PROFESSIONAL CONDUCT
No meeting held

18. NEW BUSINESS

Chair Johnson asked staff to research “clipping services”.

19. The meeting adjourned at 4:26 p.m.